

Bank _____
Charter _____

Date of Exam _____
Prepared By _____

#8– DEPOSITS, DORMANT ACCOUNTS, and OFFICIAL CHECKS (Risk Focused)

ASSIGNMENT OVERVIEW:

Deposits represent the predominant funding source for banks. The composition and pricing of deposit accounts are reviewed in the procedures for earnings and funds management. This procedure relates to the types of systems in place to account for and control deposit accounts, dormant accounts and official checks. For additional information, see the FDIC Examination Manual Section 6.2 - Funding Sources and Other Liabilities. The related DOB Reference document for this procedure identifies useful regulations, guidance, and other issuances by various regulatory authorities.

INSTRUCTIONS:

All examiners performing these procedures must be listed above in the “Prepared By” section. Completion of this procedure must be done electronically. All of the CORE ANALYSIS PHASE should be completed. Comments and findings for each step should be made in the comment box below each question. Reference to work paper documentation should also be included here. Documentation is to be sufficient to allow an audit trail of the examiner’s thought process and all significant findings.

Based on any significant/critical findings in the CORE ANALYSIS PHASE or as directed by the EIC, the applicable SAP should also be performed. All findings in the SAP should be summarized in the corresponding CORE ANALYSIS comment section. If the SAP is performed, an “X” should be placed in the space provided next to “Performed SAP” located in the CORE ANALYSIS.

The EIC/AEIC should review this procedure when complete. Acknowledgement that this procedure has been reviewed by the EIC/AEIC and Regional Office (when appropriate) will be indicated on the SCOPE AND REVIEW ACKNOWLEDGEMENT FORM.

Navigation through the work program is facilitated by hyperlinks throughout the document. In order to reach the linked sections, place the cursor over the underlined text, hold down the control key, and click to follow the link. Links are also provided to return to the CORE ANALYSIS. These links are found whenever a blue arrow (➡) appears.

EXAMINERS ARE RESPONSIBLE FOR EXERCISING SOUND JUDGMENT AND UTILIZING REASONABLE INVESTIGATIVE AND ANALYTICAL SKILLS TO ARRIVE AT AN ACCURATE ASSESSMENT OF THE RISK PROFILE OF THIS SEGMENT OF THE INSTITUTION’S OPERATIONS. PERFORMING ALTERNATE PROCEDURES NOT LISTED WITH THESE GUIDELINES MAY BE NECESSARY TO COMPLETE THIS RISK ANALYSIS.

CORE ANALYSIS PHASE

1. Prior Criticism

1. Determine whether deficiencies noted in the last examination and most recent internal/external audit have been addressed and/or corrected by management. Detail how deficiencies were corrected. Include copy of exception and management response, if applicable.

Comment:

2. Balance and Reconcile

2. Reconcile and verify Call Report schedule RC-E. Comment on any deficiencies noted.

Comment:

3. Internal Controls

3a. Evaluate internal controls of official checks. Refer to [Appendix](#) for guidance.

Comment:

3b. Review dormant accounts (including unrepresented or stale dated official checks and stored value cards) for proper segregation and dual control.

Comment:

4. Dormant Accounts

4a. Describe the bank's practices regarding dormant demand deposits, savings, and CDs. Include (1) when deposit accounts are classified as inactive or dormant; (2) what classifies an account as inactive or dormant; (3) how long an account must be inactive or in dormant status before service charges are discontinued; (4) if there is a monthly or one time charge for inactive accounts, what is the amount of such charges; and (5) if inactive accounts are segregated and placed under special control procedures. Ensure compliance with Texas Property Code, Title 6, Unclaimed Property, Chapter 73.

Comment:

4b. Describe the bank's practices regarding dormant official and miscellaneous checks. Refer to [Appendix](#) for a list of the types of checks and further guidance regarding dormant checks.

Comment:

4c. Describe the bank's practices regarding unidentified deposits and remittances. Address the following: (1) if unidentified remittances and deposits are recorded in a special liability or suspense account under dual custody; (2) if the bank transfers the unidentified remittances or

deposits directly to an income or undivided profits account, what ledger account is used.

Comment:

4d. Determine if stored-value cards are offered by the bank. If so, when does the bank transfer unredeemed balances to a separate liability or suspense account? Identify the ledger account(s). Refer to [Appendix](#) for additional guidance.

Comment:

4e. If the bank offers stored value cards, determine if fees are assessed which reduce the unredeemed balance on the card. If so, what are the fees and when are they assessed? Refer to [Appendix](#) for additional guidance.

Comment:

5. Final Analysis

5. Complete the [Summary of Findings](#) page.

SUMMARY OF FINDINGS

#8 - DEPOSITS, DORMANT ACCOUNTS, AND OFFICIAL CHECKS

Describe all strengths evident from the evaluation.

Describe all weaknesses evident from evaluation, including violations of law/regulation/rules; noncompliance with Departmental policies/guidelines; internal policy deficiencies/noncompliance; internal control weaknesses; MIS problems; and deficiencies in management supervision.

Report Worthy:

Not Report Worthy:

Determine why weaknesses exist and comment on management's response and plan of action. Identify bank personnel making the response.

SUMMARY RISK RATING ASSIGNED:


Definitions:

1-Strong; 2-Satisfactory; 3-Less than satisfactory; 4-Deficient; 5-Critically deficient; NR-Not Rated

 [\(Return to Core Analysis\)](#)

Provide copy of this page to EIC/AEIC. Receipt and review of this form by the EIC/AEIC will be evidenced by his/her initials in the appropriate column for this procedure on the SCOPE AND REVIEW ACKNOWLEDGEMENT FORM (Planning and Control Worksheet #1).

APPENDIX

3	Internal Controls – Official Checks
<p>Sequentially numbered instruments should be used wherever possible. Pre-numbered documents aid in proving, reconciling, and controlling used and unused items. Number controls, including printer's confirmation, should be monitored by a person who is detached from that particular operation. Unissued, pre-numbered instruments that could be used to obtain funds should be maintained under dual control or joint custody.</p>	
<p>Internal Control Considerations:</p> <ul style="list-style-type: none"> • Bank's policy for issuing official checks should be reasonable and provide for adequate levels of approval based on transaction size; • The <u>posting</u> of official checks to the ledgers is segregated and under dual control from the <u>issuance</u> of official checks; • Periodic inventories of the working supply and or unissued checks is handled by someone other than the individual in control of the checks. • Unissued checks are maintained under dual control to prevent the possibility of a large unrecorded liability. • Unissued checks are pre-numbered and issued in numerical sequence • Official checks are balanced and reconciled to the general ledger at least monthly 	
<p> (Return to Core Analysis)</p>	

4	Unpresented Official and Miscellaneous Checks
<p>Types of Official and Miscellaneous Checks:</p> <ul style="list-style-type: none"> • Certified Checks • Cashier's Checks • Registered Checks • Treasurer's Checks • Drafts • Warrants • Foreign Exchange • Dividend • Trust • Any other official checks or exchange items • Expense 	

- Money Orders
- Traveler's Checks
- Interest Checks

Consider the following:

- (1) if unrepresented or stale dated items are separately controlled;
- (2) the time period for when an item is considered unrepresented or stale;
- (3) if unrepresented or stale-dated official checks are periodically transferred to a separate liability or suspense account, when does this occur and what account is used;
- (4) if unrepresented or outstanding official checks are ever reversed to the account from which they were drawn, when does this occur and what account is used;
- (5) if cashiers checks, money orders, or any other official checks are ever returned to the remitter or purchaser, explain why and at what time;
- (6) who does the institution consider to be the owner of an uncashed check, the payee or remitter;
- (7) does the bank always honor a stale-dated check if the payee presents a check;
- (8) can the owner request a duplicate check and get an indemnity bond; and
- (9) if outstanding official checks are transferred to an income or surplus general ledger account, when does this occur and which general ledger account(s) is used.

 [Return to Core Analysis](#)

4	Stored Value Cards
----------	---------------------------

Texas Legislators in 2005 passed SB 446 which amended the Business and Commerce Code. This summary addresses those provisions of the bill that apply to **stored value cards issued on or after September 1, 2005**.

- I. A stored value card is **not reportable** as unclaimed property if (a) the stored value card **has no expiration date** and (b) **no fees are assessed**, other than those permitted under Section 35.42 (d) of the Business & Commerce Code.

Reasonable fees permitted under Section 35.42 (d) must be disclosed and may only be charged for:

- issuing a card
- adding value to the card
- accessing the card at an unmanned teller machine
- reissuing or replacing the card if it is lost or expired

- II. If a card has either (a) an expiration date **or** (b) charges monthly service fees, other

than those permitted under Section 35.42 (d), **the net amount is reportable** as unclaimed property.

Additional service fees not specifically covered under Section 35.42 (d):

- must be disclosed
- must be reasonable
- may not be assessed until the 13th month after the date the card was sold or issued
- may not be assessed beyond the 36th month of inactivity

- III. If a card has an expiration date, the **balance is presumed abandoned** on the earlier of (a) the card expiration date or (b) three years from the issue date, if the card was not used or three years from the last activity date, if the card was used.
- IV. If a card represents wages, the **balance is presumed abandoned** on the earliest of (a) the card expiration date or (b) one year from the issue date, if the card was not used or one year from the last activity date, if the card was used.
- V. Disclosure of the following information must be clear, conspicuous and legibly printed.
- expiration date
 - expiration policy
 - fees (see above)
 - other material restrictions
 - periodic reduction of the unredeemed value

Note: A stored value card sold without the disclosure as required by this section is valid until redeemed or replaced.

GENERAL:

- "Stored value card" means a record that evidences a promise made for monetary consideration by the seller or issuer of the record that goods or services will be provided to the owner of the record in the value shown in the record, that is prefunded, and the value of which is reduced on redemption. The term includes a gift card or gift certificate.
- If a stored value card seller in this state does not obtain or maintain the name and address of an apparent card owner, the address of the apparent owner is considered to be the Austin address of the Texas Comptroller.
- This statute does not apply to stored value cards that are:
 - distributed under an awards, rewards, loyalty, incentive, rebate or promotional program

- sold below face value or donated to
 - an employee
 - a non-profit organization
 - an educational institution for fund raising
- issued by a financial institution as financial agent for United States or Texas
- linked to and draws its value solely from a deposit account subject to Chapter 73
- issued as a prepaid calling card
- issued by a licensed air carrier
- The changes in law made by this Act apply only to a stored value card issued or activated on or after the effective date of this Act (9/1/2005). A stored value card issued or activated before the effective date of this Act is governed by the law in effect when the card was issued or activated, and the former law is continued in effect for that purpose.

 [\(Return to Core Analysis\)](#)